

## **INTERNATIONAL BUSINESS NEWS – OCTOBER 2006**

**U.S. Department of Commerce**

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### **GEORGIA – COMMERCE'S MARKET OF THE MONTH**

Georgia is a regional center in the South Caucasus situated on the Black Sea and neighboring Turkey to the southwest, Armenia to the south, Azerbaijan to the southeast, and Russia to the north. In recent years, Georgia has managed to achieve macroeconomic stability and steady growth. Key growth sectors in Georgia include food processing, construction, tourism, energy, transportation, and telecommunications.

U.S.-Georgia bilateral relations are excellent. Its relationship with the United States was bolstered by President Bush's visit to Tbilisi in 2005, which marked the first visit of the U.S. President to independent Georgia.

#### **Best Prospects for U.S. Exporters**

- Transportation Infrastructure and Services
- Oil and Gas Exploration and Production
- Telecommunications Equipment
- Electric Power Generation
- Agricultural and Food Processing
- Tourism and Hospitality
- Construction and Real Estate

#### **Doing Business in Georgia**

Some positive recent developments include:

- Currently, the government is in the process of completing a new Customs code that will dramatically decrease customs tariffs currently charged, as well as lowering the overall number of tariffs.
- A new Tax Code passed in 2005 was a major achievement, reducing the number of taxes considerably and simplifying tax administration.
- In late 2005, Georgia received a first-ever sovereign credit rating from Standard & Poor's—B short-term, B+ long-term, and the Heritage Foundation raised Georgia's Economic Freedom index from "mostly unfree" to "mostly free."
- The World Bank in July 2006 released its "Anticorruption in Transition-3" (ACT3) report, which puts Georgia at the top of all transition countries for anticorruption efforts.

Despite a number of positive developments in the business climate during the last few years, entering the Georgian market can be challenging.

Some of the difficulties to be aware of include:

- Georgia's legal regime is generally favorable to economic growth and development, but implementation remains uneven, and incentives for small and medium enterprises are lacking.
- Enforcement of intellectual and industrial property rights in Georgia is weak, although improving.
- Despite the legal underpinnings for protection of commercial activity and of property rights, in practice, foreign investors have encountered problems protecting contracts and property rights in local courts.
- Corruption, both official and otherwise, continues to be a problem.
- The banking system remains weak. However, it has been steadily improving in recent years in terms of technology and assets, and has attracted significant foreign investment in both large and small Georgian banks, including from IFC, EBRD, and Germany's DEG, as well as private sources in Russia, Kazakhstan, and the United States.

Personal contacts are important in Georgia, and finding a reliable, experienced partner continues to be the most successful way to enter the market. Another key to a successful venture is careful preparation, including researching the market, conducting due diligence on potential business partners and customers, and seeking good local legal advice.

#### **Market Resources**

BISNIS Georgia page  
(<http://bisnis.doc.gov/bisnis/country/Georgia.cfm>)  
Country Commercial Guide for Georgia  
([http://buyusainfo.net/docs/x\\_9706959.pdf](http://buyusainfo.net/docs/x_9706959.pdf))  
American Chamber of Commerce in Georgia  
([www.amcham.ge](http://www.amcham.ge))  
Georgia Investment Guide ([www.investmentguide.ge](http://www.investmentguide.ge))  
America Georgia Business Council ([www.agbdc.com](http://www.agbdc.com))  
Georgian National Investment and Export Promotion Agency ([www.investingorgia.org/en](http://www.investingorgia.org/en))  
Georgian Opinion Research Business International  
([www.gorbi.com](http://www.gorbi.com))

## WHAT IS DRAWBACK?

Drawback is the refund of import duties on imported merchandise that is subsequently reexported. The drawback law is found in the Tariff Act of 1930 while the regulations can be found in Part 191 of the US Customs Regulations. There are 2 primary kinds of drawback claims:

- Unused Merchandise Drawback - Drawback on imported merchandise exported in essentially the same condition.
- Manufacturer's Drawback - Drawback on imported merchandise subjected to an assembly or production process prior to export. The imported item is exported as a component of a finished article.

Note: A valid export triggers the drawback opportunity, i.e. the severance of goods from the United States with the purpose of transferring them to the commerce of another country. U.S. territories, for example Puerto Rico and the U.S. Virgin Islands, do not qualify as an export destination for drawback purposes.

To obtain information on duty drawback, go to [http://www.customs.gov/xp/cgov/import/duty\\_rates/drawback/](http://www.customs.gov/xp/cgov/import/duty_rates/drawback/)

## UPDATE ON MEXICO'S PROCUREMENT LAW

This report provides information to facilitate U.S. companies' efforts to widen their business opportunities in Mexico. The report also includes a summary about Mexican government procurement regulations and procedures that interested bidders must follow in order to participate in government tenders. This report also outlines the most relevant topics related with the procedures ruled by the North America Free Trade Agreement. For a copy, go to <http://www.buyusa.gov/arkansas/mexproc.pdf>

## FINANCING FOR SME'S IN MEXICO

Although Mexico is the United States' second largest trading partner, the lack of financial options for small and medium sized enterprises (SMEs) is often cited as the primary obstacle for U.S. companies selling to Mexico. The Government of Mexico recognizes the importance of SMEs, which produce 50% of Mexico's GDP, and encourages financial institutions to provide more favorable financing terms to these companies. This is good news for U.S. firms since their Mexican partners and

clients will be more likely have access to financing to buy from the United States. For the article on "Financing SME's in Mexico," go to <http://www.buyusa.gov/arkansas/mexsmefin.pdf>

## BUREAU OF INDUSTRY & SECURITY'S PROPOSED RULE ON DUAL-USE ITEMS TO CHINA

On July 6, the Bureau of Industry & Security (BIS) published its proposed revised policy rule for exports and re-exports of dual-use items to the People's Republic of China (PRC). The proposed rule is of interest not only to high-tech exporters to the PRC, but also to all exporters—both because of its broad scope and as a bellwether of the future direction of export controls. **For those reasons, all export managers should consider weighing in during the 120- day comment period ending November 3.**

The stakes involved in the new rule are considerable. For details on this important rule, go to <http://www.buyusa.gov/arkansas/bisprc.pdf>

## U.S. TRADE REPRESENTATIVE TO INTENSIFY EFFORTS IN ASIA

Responsibilities of intellectual property office will expand, USTR Susan Schwab says

by Jane Morse, Washington File Staff Writer

The Washington File is a product of the Bureau of International Information Programs, U.S. Department of State. Web site: <http://usinfo.state.gov>

In a September 6 press release, Ms. Schwab emphasized, "Innovation is the lifeblood of American industry and promoting innovation is a key element in the President's competitiveness agenda."

To this end, Schwab announced that the recently established Office of Intellectual Property would have expanded responsibilities and a new name -- the Office of Intellectual Property and Innovation. Its new duties will include innovation policy issues related to the pharmaceutical and medical technology industries. (See [related article](#).) (

Previously, the Office of Southeast Asia and the Pacific had handled these issues. But with the reorganization, that office will be better able to focus its resources on deepening trade relations with Asia -- a top priority, according to the USTR press release.

Currently, that office is negotiating free-trade agreements (FTAs) with Thailand and Malaysia, and it recently concluded a trade and investment

framework arrangement with the 10-member Association of Southeast Asian Nations (ASEAN). (See [related article](#).)

The member countries of ASEAN are Brunei Darussalam, Burma, Cambodia, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand and Vietnam.

For more on U.S. policy, see [Trade and Economics](#) and [East Asia and the Pacific](#).

The [full text](#) of the press release on the USTR's reorganization is available on the office's Web site.

#### **BUSH ADMINISTRATION RELEASES REPORT ON INTELLECTUAL PROPERTY ENFORCEMENT AND PROTECTION**

On September 29, the Bush Administration released the 2006 Report to the President and Congress on Coordination of Intellectual Property Enforcement and Protection. The report sets forth the actions and initiatives that the U.S. government has taken over the past year to combat the rising tide of global counterfeiting and piracy, and notes the importance of these efforts because of the critical role intellectual property (IP) plays in the country's economic strength and the health and safety of consumers. Highlights of the 2006 report include: 1) Working with U.S. Industry and Engaging our Trading Partners; 2) Increasing Efforts to Seize Counterfeit Goods at Our Borders; 3) Pursuing Criminal Enterprises; 4) Congressional Direction and Presidential Leadership; 5) Demonstrating the Impact of Coordination and 6) Priorities for the Coming Year. A copy of the full report is available at: [http://www.commerce.gov/opa/press/SecretaryGutierrez/2006\\_Releases/September/28\\_IPReport\\_JointRelease.htm](http://www.commerce.gov/opa/press/SecretaryGutierrez/2006_Releases/September/28_IPReport_JointRelease.htm)

#### **Useful Websites on Intellectual Property**

Stop Fakes" Intellectual Property Rights Website  
[http://www.stopfakes.gov/sf\\_how.asp](http://www.stopfakes.gov/sf_how.asp)

State Department's Website for Intellectual Property Rights:  
<http://www.usinfo.state.gov/products/pubs/intelprp/>

**China Ipr Webinar Series Presents:  
"STOPPING FAKES AT CHINA'S TRADE FAIRS"  
OCT 12, 1 PM-2:30 PM CST**

New Regulations and Initiatives Aimed at Protecting Intellectual Property Rights for

Patents, Trademarks and Copyrights at Trade Fairs in China. On October 12 at 2pm-3:30pm EST, Commerce Department Market Access and Compliance Division will lead an online discussion of best practices for protecting IP at Trade Fairs in China covering China's new regulations and US initiatives.

For more details on the webinar series, please go to  
[http://www.stopfakes.gov/events/china\\_webinar\\_series.asp](http://www.stopfakes.gov/events/china_webinar_series.asp)

#### **CANADA BORDER SERVICES AGENCY CLEARANCE PROCEDURES AND CUSTOMS REQUIREMENTS ONLINE SEMINAR NOV. 29, 2006, 1:00 PM CST**

U.S. Commercial Service Montreal is proud to partner with our sponsors, the Canadian Tourism Commission and Tourisme Montréal, to provide an on-line seminar (webinar) on Canada Border Services Agency Clearance Procedures and Customs Requirements in Canada for Trade Show Booths and Supplies, November 29 at 2:00 p.m. EST. To register online, go to <http://www.buyusa.gov/canada/en/cbsaw.html> Please register early to ensure you receive the login information for the audio and the Internet portion of the webinar.

*We hope you've enjoyed this edition of our newsletter. Any mention of non-government sources does not constitute endorsement.*

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